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SUBJECT: SLOVAK AID: MORE BUREAUCRACY, LESS DEVELOPMENT  
ASSISTANCE?

¶1. (SBU) Summary. The Slovak MFA is preparing to consolidate management and program authority over Slovakia's foreign aid budget before the end of 2006. Full MFA control over development assistance may help the GOS consolidate its aid programs and establish longer-term programs that better meet Slovakia's foreign policy needs. It appears, however, that reorganization will have the practical effect of shutting development professionals out of the policy creation process, which may jeopardize the future existence of Slovakia's more effective democratization programs. MFA has given assurance that they will continue working in key countries such as Afghanistan, Belarus, and the Ukraine, but specific program goals are unclear. End Summary.

#### The Existing Model

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¶2. (U) Slovakia began offering Official Development Assistance (ODA) in 2002, and funding levels are rising rapidly as Slovakia strives to meet European Council guidelines for new member states. ODA funds totaled only 256.7 million SK (8.5 million USD) in 2002, but reached 1.8 billion SKK (60 million USD) in 2006, and must reach 7.8 billion SK (270 million USD) in 2015 to meet EC requirements. Roughly half of Slovakia's ODA commitment actually consists of multilateral contributions to the European Union and UN agencies; lesser allocations are made for bilateral debt relief (to Iraq, Afghanistan, Iraq and Albania), bilateral humanitarian aid funds administered by the Ministry of Interior, and MFA bilateral development assistance programs. The large overall increase in ODA spending masks the fact that these MFA programs have remained frozen at 161 million SKK (5.2 million USD) since 2003. According to MFA/Slovak Aid documents, bilateral development funding is supposed to rise to 800 million SKK (27 million USD) by 2010. A lesser funding increase is likely, however.

¶3. (U) Slovakia's 5.2 million USD in MFA bilateral aid has been spread thinly over the following 13 (now 14) countries, in descending order of assistance levels: Serbia/Montenegro, Kenya, Kazakhstan, Sudan, Kyrgyzstan, Ukraine, Belarus, Bosnia and Herzegovina, Afghanistan, Mongolia, Cambodia, Mozambique, and Senegal. Many of the countries chosen for aid programs reflect long-standing commitments dating back to the communist Czechoslovak regime. The MFA does not administer programs directly. Programs inside the former Yugoslavia have been administered by NPOA, a local NGO run by Slovak development professionals. All other programs have been administered through the UNDP office in Bratislava. Each of these entities answers to the Slovak Aid office at MFA, but has enjoyed broad authority to approve specific projects. UNDP and NPOA have been particularly effective in identifying Slovak NGOs to carry out democratization programs within Eastern Europe. While these agencies have earned

praise as effective program administrators, their presence as the face of Slovak development assistance has certainly limited its public diplomacy impact -- recipients often do not know that the aid is coming from Slovakia.

#### The Hurry to Change It

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¶4. (SBU) Slovakia's current outsourced bilateral development assistance framework was designed to be an interim system that would eventually be replaced by a consolidated development agency run by MFA itself, presumably through Slovak Aid. MFA has recently accelerated its consolidation plans, and announced in September 2006 that it planned the imminent creation of a new agency. Slovak Aid officials designing the new agency have been loathe to share their plans with anyone in the development or diplomatic communities. In a November 2 meeting with Emboff, Slovak Aid Director Josef Bandzuch said in so many words that he was meeting with us because MFA State Secretary Algayerova told him to do so, based on her meeting with the DCM. (Comment: We have offered Algayerova US expertise in re-shaping Slovak Aid, perhaps in the form of a DVC with USAID. She told the DCM that she was having trouble getting the idea through to her staff, but might take us up on the offer in the future.)

¶5. (SBU) In the meeting, Bandzuch said that Slovak Aid will assume all functions of NPOA and UNDP, which will be cut loose entirely when their existing contracts expire in 2007-2008. Slovak Aid will be staffed by Slovak diplomats in the future; NPOA and UNDP officials are not expected to be hired, nor are other outside experts. The new agency will be finalized by the end of 2006 and submitted to the Ministry of Finance for approval. Bandzuch explained that his agency wanted to submit organizational plans by December 31, 2006 --

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before the drafting of any legal framework for the new agency -- in order to ensure that all bilateral funds will be allocated specifically to Slovak Aid starting in 2009. He anticipated no problems with approval since the net budget cost of the new agency will be the same.

#### Future Commitments

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¶6. (SBU) The Slovak NGO/development community has been wary of potential changes, but many have expressed to the Embassy that reforms could be positive if the MFA/Slovak Aid would consolidate the number of countries where it works, increase funding, and offer longer-term (three-year instead of one-year) commitments to countries that allow for mid-range planning. The Embassy has expressed to MFA a similar view, and has encouraged Slovakia to continue its commitment to democracy building programs in Eastern Europe and Central Asia. Based on meetings with Bandzuch and other MFA officials, however, it is doubtful that any consolidation or restructuring of program priorities has been seriously considered. All signs indicate that commitments in key countries such as Belarus and Afghanistan will continue, but at negligible funding levels.

¶7. (SBU) Comment. In theory it makes sense for the GOS to consolidate bilateral development programs at Slovak Aid to ensure quality control for a program that is supposed to see a huge budget increase by 2010. In practice, however, the new agency will be run by career diplomats who have no experience in development and are ill-suited for the job. The proposed restructuring has been in process at MFA since the previous government, and there are no signs that the current governing coalition has decided to cut out development professionals as a means of facilitating patronage for its own people. It seems clear, however, that the new system may enable patronage in aid programs, especially since the new government has emphasized commercial interests over democratization programs as a foreign policy

priority. The new system will likely also have the  
unfortunate effect of forcing the Embassy to intervene with  
Slovak Aid in the future on behalf of specific programs  
favored by UNDP/NPOA, but not by future administrators. End  
Comment.  
VALLEE